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No. 08-1258

Supreme Court, U.S.
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IN THE
Supreme Court of the United States

AVOCENT HUNTSVILLE CORP. AND
AVOCENT REDMOND CORP.,

Petitioners,

v.

ATEN INTERNATIONAL CO., LTD.,

Respondent.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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May 13, 2009

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of the rules of this Court, Respondent ATEN International Co., Ltd. states that no parent or any publicly held company owns 10% or more of the Respondent's stock.

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I. PRELIMINARY STATEMENT

This case boils down to whether ATEN International Co., Ltd. ("ATEN"), a Taiwanese corporation, should face suit in Alabama solely because it sent a single notice letter there, and some of its products are there. Both the District Court and the Federal Circuit ruled against the exercise of personal jurisdiction because of the undisputed facts, which include that ATEN has no exclusive licensees and no established distribution channel in Alabama, and has never enforced any patent there. ATEN lacks the "minimum contacts" (in both quantity and quality) with Alabama that this Court requires for personal jurisdiction.[1] Plenary review by this Court, therefore, is simply unnecessary.

The Court should deny the petition filed by Avocent Huntsville Corp. and Avocent Redmond Corp. (collectively "Avocent" or "Petitioner") because the Federal Circuit faithfully applied this Court's precedent on personal jurisdiction to the operative facts, not the facts as Avocent wishes them to be. ATEN objects to the "questions presented" in the

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[1] ATEN does not deny that it can be sued in the United States. Indeed, ATEN has already subjected itself to the jurisdiction of the Western District of Washington (where Petitioner previously filed a patent-infringement action against ATEN), and even requested transfer of this case to that forum as an alternative to dismissal.

Petition to the extent they are infected with Avocent's factual misrepresentations.[2]

Misrepresentations aside, Avocent's petition reflects the faulty legal premise that the District Court should consider ATEN's contacts with the forum in assessing the propriety of specific jurisdiction over ATEN (a nonresident), regardless of whether the underlying suit (Petitioner's declaratory judgment action) arose out of, or was related, to those contacts. For purposes of the present litigation—in which Avocent sought a ruling that its products do not infringe ATEN's patents—ATEN's patent enforcement activities constitute the relevant contacts to support specific jurisdiction. The Federal Circuit properly considered the nature of Avocent's declaratory-judgment claim in circumscribing its "minimum contacts" analysis and in concluding that alleged commercial-sales activities of others in Alabama in selling ATEN's products there could not render ATEN amenable to specific jurisdiction in Alabama.

Avocent also argues that the notice letter ATEN sent to Amazon (in the State of Washington) should trigger jurisdiction under this Court's *Calder*

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[2] For example, contrary to Avocent's suggestions (Petition at i-ii), the Federal Circuit's decision did not (i) mandate any "mechanical" test; (ii) create any *per se* prohibition respecting infringement-threat letters; or (iii) hold that a patent owner's product-distribution channel is jurisdictionally irrelevant.

"effects" test. Not so. The nature of the notice letter differed greatly from the allegedly defamatory article in *Calder*, and ATEN did not send the letter to Washington knowing it would have a "potentially devastating impact" on Petitioner in Alabama.

Finally, Avocent conjures up a "circuit split" between the Federal Circuit on the one hand and the Ninth and the Tenth Circuits on the other with respect to jurisdiction under this Court's *Calder* "effects" test. But no such split exists. The Ninth and Tenth Circuits have found specific jurisdiction where the defendant's enforcement activities involved a third party that interfered with plaintiff's business, as has the Federal Circuit.

For the reasons set forth below, this Court should decline to issue the writ sought by Avocent.

II. FACTUAL BACKGROUND

A. ATEN Sent a Single Notice Letter to the Forum State

The only relevant purposefully-directed contact between ATEN and Alabama was a notice letter, sent to Avocent Corporation (a non-party located in Huntsville),[3] on May 28, 2004. (App. 63a).[4]

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[3] Both Avocent Huntsville and Avocent Redmond are subsidiaries of Avocent Corporation, a Delaware corporation located in Huntsville, Alabama. (App. 62a).

The letter suggested that Avocent Corporation review a published patent application (owned by ATEN Technology, Inc. ("ATEN Technology"), a subsidiary of ATEN), but no action was taken in response.

ATEN sent a second letter about two years later, on April 27, 2006, when the patent application matured into a patent. That letter was sent to Amazon, located in Washington. (App. 63a-64a; JA 470-71).[5] The letter identified over twenty "potentially infringing products" from more than fifteen different suppliers, including an "Avocent" branded product. *Id.*[6]

The letter asked Amazon to "discontinue selling the [identified] products" (*id.*), but there is no evidence that Amazon did so. Avocent's assertion that ATEN "knew that the effect of the infringement threat letter it sent Amazon.com would be felt in Alabama" (Petition at 17) has no basis. Indeed, Avocent's Petition is completely devoid of *any* supporting citations to evidence in the record.

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[4] Cites to "App. __" refer to the Appendices contained in the Petition.

[5] Cites to "JA __" refer to the Joint Appendix filed in the appeal below with the United States Court of Appeals for the Federal Circuit.

[6] That product was being manufactured by Petitioner Avocent Huntsville Corp., but ATEN did not know that at the time. (JA 488).

ATEN sent a third letter about a year later, on March 15, 2007, to Avocent Redmond's counsel. That letter, which was sent to Arlington, Virginia, expressed ATEN's desire "to resolve all outstanding disputes and avoid any further litigation between the parties." The letter referenced a previous "settlement meeting" (that took place in California) regarding the then-pending patent infringement action that Avocent Redmond had filed in the United States District Court for the Western District of Washington in November 2006. (App. 64a-65a, 4a; JA 489 at ¶13).[7] The letter identified U.S. Patent No. 7,035,112 ("the '112 patent") and U.S. Patent No. 6,957,287 ("the '287 patent") as "two of ATEN's patents Avocent [Redmond] is infringing." (JA 489-90; App. 65a, 4a).

B. The Underlying Declaratory Judgment Action Filed in Alabama

Notwithstanding ATEN's stated desire to resolve the outstanding disputes and avoid further litigation, three weeks later, on April 6, 2007, Avocent Redmond rushed to the District Court in Alabama and filed the underlying declaratory judgment action against ATEN. (App. 61a, 65a). Avocent Huntsville joined in the suit. In its suit, Avocent (i) sought a declaration that (a) Avocent's

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[7] Both ATEN and Avocent are in the business of supplying computer keyboard-video-mouse ("KVM") switches. (App. 2a).

products did not infringe either the '287 patent or the '112 patent and (b) the '287 patent and the '112 patent were invalid; and (ii) asserted claims of (a) unfair competition under the Lanham Act (15 U.S.C. § 1125) and (b) intentional interference with business relations under Alabama law. (App. 4a, 65a).

Before being sued there, ATEN's only contact with Alabama was the notice letter it sent to Avocent Corporation. The virtual absence of prior interaction between ATEN and Alabama left Avocent with little to allege in the way of jurisdictionally relevant contacts:

> Aten is subject to the personal jurisdiction of this Court. Among other things, Aten has transacted business within the State of Alabama and, more particularly, within this District. Aten has also accused Avocent of infringing the '287 and the '112 patents by selling products in this District and elsewhere.

(JA 41). ATEN, however, refuted those allegations, and Avocent submitted no evidence to the contrary. (JA 488-90).

The record shows that ATEN is incorporated and operates in Taipei, Taiwan and has no office or employee in Alabama. *Id.* It has never conducted any business, owned any real or personal property, maintained any bank account, opened any office, or

established any mailing address there. *Id.* No ATEN employee ever visited Alabama on behalf of ATEN for any business purpose related to ATEN. *Id.* It never licensed nor sought to license any patent to any Alabama companies. *Id.* Nor has ATEN enforced any patents there or threatened to do so. *Id.* In short, ATEN has no ties with Alabama at all.

Moreover, ATEN has not established a distribution channel into Alabama, nor has it made other efforts to specifically serve the Alabama market. (*See, e.g.*, JA 488). The record suggests that distributors or retailers may have obtained products from IOGEAR or ATEN Technology[8] to sell in many states, but no evidence establishes that ATEN has relationship with or controls the distributors or downstream retailers or tells them where and how to sell. (JA 340-341).

Accordingly, ATEN moved to dismiss Avocent's suit for lack of personal jurisdiction. (App. 65a). ATEN's motion sought, as alternative relief, transfer of the case to the Western District of Washington, where it was already defending another suit brought by Avocent. (App. 66a). Avocent opposed ATEN's motion, but neither requested

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[8] ATEN Technology (a subsidiary of ATEN) does business under the "IOGEAR" name.

permission to take jurisdictional discovery nor asked the court to hold a jurisdictional hearing. (App. 61a).

C. Proceedings Below

In resolving ATEN's motion, the District Court properly accepted the uncontroverted allegations in Avocent's complaint as true, resolving all factual disputes in Avocent's favor. (App. 67a). The District Court granted ATEN's motion to dismiss, concluding that (i) "ATEN did not purposefully submit itself to jurisdiction in Alabama by sending the three [notice] letters" and (ii) "general personal jurisdiction over ATEN does not exist" because "[n]o similar systematic and continuous contact by ATEN with Alabama has been shown by plaintiffs." (App. 61a-76a).

Avocent appealed. In reviewing the District Court's judgment, the Federal Circuit likewise construed "the pleading and affidavits ... in the light most favorable" to Avocent. (App. 6a-7a). A divided panel of the Federal Circuit affirmed the District Court's judgment (App. 1a- 35a (majority opinion), 36a-60a (dissent)). On February 26, 2009, the Federal Circuit denied Avocent's Petition for Rehearing *En Banc*. (App. 77a).

III. ARGUMENT

A. The Court Should Deny the Petition Because the Federal Circuit Did Not Depart from this Court's Precedent

Consistent with notions of due process, a court can properly exercise personal jurisdiction over a nonresident defendant such as ATEN "only so long as there exist 'minimum contacts' between the defendant and the forum State" and "maintenance of the suit does not offend traditional notions of fair play and substantial justice." *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 291 (1980).[9] Specific jurisdiction exists if a nonresident defendant "has 'purposefully directed' his activities at residents of the forum" and "the litigation results from the alleged injuries that 'arise out of or relate to' those activities." *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472-73 (1985) (internal citation omitted). Thus, for specific jurisdiction, the nature of the underlying litigation necessarily determines what activities may justify the exercise of personal jurisdiction.

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[9] "General" jurisdiction arises from a defendant's continuous and systematic contacts with the forum that are unrelated to the claim, whereas "specific" jurisdiction arises from contacts with the forum that are related to the claim. *See, e.g.*, *Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408, 414 (1984). As explained below (*see* Section III.A.2., *infra*), only specific jurisdiction is at issue at this juncture.

Consistent with this Court's precedent,[10] the Federal Circuit correctly reasoned that Avocent's underlying declaratory-judgment claim "arises out of or relates to the activities of the defendant-patentee [ATEN] in enforcing" its patents or defending their validity. Therefore, the "relevant inquiry for specific personal jurisdiction purposes then becomes to what extent has the defendant patentee 'purposefully directed [such enforcement activities] at residents of the forum,' and the extent to which the declaratory judgment claim 'arises out of or relates to those activities.'" (App. 15a-16a, 19a-22a (referring to "initiating judicial or extra-judicial patent enforcement within the forum, or entering into an exclusive license agreement or other undertaking which imposes enforcement obligations with a party residing or regularly doing business in the forum").)[11] Although activities relating to a defendant's commercialization of its products might have jurisdictional significance in an ordinary infringement suit, such activities cannot support specific jurisdiction in a declaratory-judgment setting given the differing nature of the patent claim at issue. *Id.*

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[10] Contrary to the Petitioner's assertion (Petition at 11), the Federal Circuit referenced this Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007) simply to highlight that personal jurisdiction "remains an important and independent limit on the power of federal courts." (App. 16a n.2).

[11] The petition inaccurately summarizes the Federal Circuit's decision. (Petition at 12.)

The "fatally deficient" pleadings led the Federal Circuit to conclude that Petitioner had failed even to allege the necessary relevant activities to support specific jurisdiction over ATEN in Alabama. (App. 29a-30a). Petitioner contends that the Federal Circuit should have assessed jurisdiction under the "stream of commerce" theory given "the extent of [ATEN's] commercial contacts" with Alabama, criticizing the Federal Circuit's analysis as "too narrow," "ignor[ing] why the 'stream of commerce' test was created, and los[ing] contact with the Court's basic concepts of 'minimum' contacts, 'foreseeability,' and 'purposeful availment.'" (Petition at 9-13.) The Federal Circuit's analysis, however, is grounded on the distinction between general and specific jurisdiction, and the petition cites no authority for the notion that the "stream of commerce" theory did away with that distinction.

1. Even if Product-Commercialization Activities Relating to ATEN's Products Were Relevant Here, the Evidence Does Not Support Specific Jurisdiction

Even assuming commercialization activities relating to ATEN's products were relevant to specific jurisdiction in Alabama in this case, the facts do not establish that the exercise of such jurisdiction would be proper. First, the petition refers to several allegedly "undisputed facts" demonstrating ATEN's alleged "substantial connection" with Alabama, but

there are no supporting record citations. (Petition at 11.) Petitioner thus cannot reasonably argue that there was evidence establishing that ATEN should have foreseen being haled into court in Alabama. *See, e.g.*, *World-Wide Volkswagen*, 444 U.S. at 297 ("[T]he foreseeability that is critical to due process ... is that the defendant's conduct and connection with the forum State are such that he should reasonably anticipate being haled into court there."). Moreover, Petitioner suggests that the ATEN products available in Alabama were patented, but the District Court concluded that the relevant evidence was not clear. (App. 73a-74a; *see also* App. 30a).

Finally, Petitioner refers to the activities of IOGEAR and or ATEN Technology. Petition at 6. However, a corporate subsidiary's contacts with the forum state cannot be imputed to the parent corporation absent clear and convincing evidence that the parent controls the subsidiary's activities (*see Negrón-Torres v. Verizon Commc'ns, Inc.*, 478 F.3d 19, 27 (1st Cir. 2007)), so the alleged indirect contact not attributable to ATEN has little, if any, significance. When analyzing the stream of commerce for jurisdiction, this Court has declined to find jurisdiction based on unilateral acts of third parties the defendants do not control. *See Asahi Metal Indus. Co. v. Superior Court of California*, 480 U.S. 102, 113, 116 (1987); *World-Wide Volkswagen*, 444 U.S. at 299.

2. The Issue of General Jurisdiction Is Not Properly Before this Court

The petition makes a passing reference to the possibility that Alabama had general jurisdiction over ATEN (Petition at 17), but that issue is not properly before this Court. The Federal Circuit noted that "[t]he district court rejected Avocent's assertion of general jurisdiction under a 'stream of commerce' theory ... and Avocent apparently abandoned that argument on appeal." (App. 28a). In its Petition for Rehearing *En Banc* to the Federal Circuit, Avocent argued that it "did not waive its general jurisdiction arguments" before the panel, but the only support Avocent could point to was a cryptic reference from its reply brief. *See* Avocent's Petition for Rehearing *En Banc* at 11. Under that court's precedent, Avocent's failure to argue the issue in its opening brief resulted in waiver. *See, e.g.*, *Haas v. Peake*, 544 F.3d 1306, 1308 (Fed. Cir. 2008). An issue not before the Federal Circuit is not properly before this Court. *See, e.g.*, *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 362 (1981); *Adickes v. S. H. Kress & Co.*, 398 U.S. 144, 148 n.2 (1970).

B. The Court Should Also Deny the Petition Because the Federal Circuit Created No *Per Se* Rejection of the *Calder* "Effects" Test

Petitioner's arguments regarding the one notice letter sent to Alabama vis-à-vis jurisdiction under the Court's *Calder* "effects" test (Petition at

15-17) are based on misrepresentations about the Federal Circuit's decision below. As such, Petitioner's arguments should be rejected.

The "effects" test permits the exercise of personal jurisdiction based on "intentional, and allegedly tortious, actions [] expressly aimed" at the forum. *Calder v. Jones*, 465 U.S. 783 (1984). Specific jurisdiction existed in that case because the defendants knew that the allegedly defamatory article "would have a potentially devastating impact upon [the plaintiff]" and that "the brunt of that injury would be felt by [the plaintiff] in the State in which she lives and works." *Id.* at 783-84, 789-90.

The facts here are distinctly different. In its letter to Amazon, ATEN identified more than twenty "potentially infringing" products, only one being an Avocent switch, and there is no evidence that ATEN knew that any "potentially devastating" injury to Avocent would result (nor is there any evidence any such injury did in fact occur). *See* Section II.A., *supra*. Moreover, a good-faith notice letter is a permissible assertion of patent rights, unlike the allegedly tortious article in *Calder*.

Contrary to the Avocent's assertion (Petition at 15), the Federal Circuit did not lay down some new rule that notice letters, whether sent to an infringer or its customers, cannot themselves create jurisdiction. (App. 33a-34a (citing *Breckenridge Pharm., Inc. v. Metabolite Labs., Inc.*, 444 F.3d 1356, 1362 (Fed. Cir. 2006).) As the Federal Circuit's

majority opinion explained, "[p]rinciples of fair play and substantial justice afford a patentee sufficient latitude to inform others of its patent rights without subjecting itself to jurisdiction in a foreign forum." (App. 18a (citing *inter alia Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360-61 (Fed. Cir. 1998))).

That view of the effect of a notice letter like the one ATEN sent to Amazon (as not itself sufficient to confer jurisdiction) is not held by the Federal Circuit alone. It is, for example, also espoused by the Ninth Circuit, indeed, as reported in a case that Petitioner relies on for its "circuit split" argument (*see* Section III.C., *infra*). *See, e.g.*, *Yahoo! Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme*, 433 F.3d 1199, 1208-09 (9th Cir. 2006) (*en banc*) (distinguishing "normal cease and desist letters" (those that simply warn alleged infringer of its conduct, which are insufficient to create jurisdiction), from those that do more, *e.g.*, cause a third party to "interfere wrongfully" with another's business (which can create jurisdiction)).

Equally untrue is the assertion that the Federal Circuit's decision "preclude[d] application of the Court's" *Calder* "effects" test. Petition at 17. The Federal Circuit actually considered *Calder* as "presumably relat[ing] to [Petitioner's] Lanham Act claim for unfair competition,"[12] but ruled against

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[12] Petitioner does not challenge that conclusion. (App. 34a).

jurisdiction since such a notice letter "would neither be unjustifiable nor unfair if the implication of infringement contained therein is true." (App. 33a-34a (emphasis in original)).

C. There Is No "Circuit Split"

In the decisions from the Ninth and Tenth Circuits cited by Petitioner, the courts exercised specific jurisdiction under *Calder* because the declaratory judgment defendant involved a third party who, in acting to help defendant enforce property rights, intentionally interfered with plaintiff's business. (Petition at 19-20 (citing *Dudnikov v. Chalk & Vermillion Fine Art, Inc.*, 514 F.3d 1063, 1082 (10th Cir. 2008); *Bancroft & Masters, Inc. v. Augusta National Inc.*, 223 F.3d 1082, 1088 (9th Cir. 2000); and *Yahoo!*, 433 F.3d at 1209).)

Petitioner asserts that the Federal Circuit would not have exercised jurisdiction under its "*per se*" rule regarding notice letters (Petition at 20), but overlooks that court's decision in *Campbell Pet Co. v. Miale*, 542 F.3d 879 (Fed. Cir. 2008). Similar to the facts in the cases from the Ninth and Tenth Circuits, the rights-holder in *Campbell* enlisted a third party who removed goods from a trade show, action justifying the exercise of jurisdiction. (*Campbell*, 542 F.3d at 887; App. 20a (distinguishing *Campbell* from the facts of this case).)

IV. CONCLUSION

For the foregoing reasons, ATEN respectfully urges the Court to deny Avocent's petition for a Writ of Certiorari in its entirety.

Respectfully submitted,

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